


Integrity Monitor Firm Name: CohnReznick
Engagement: NJDCA CRF Integrity Monitoring
Quarter Ending: 3/31/2021

No.	Recipient Data Elements	Response	Comments
A. General Info			
1.	Recovery Program Participant	NJ Department of Community Affairs	
2.	Federal Funding Agency (e.g. CARES, HUD, FEMA)	U.S. Department of Treasury- CARES (Section 5001)	
3.	State Funding (if applicable)	N/A	
4.	Award Type	Federal Grant - Coronavirus Relief Fund (CRF)	
5.	Award Amount	\$162.5 million	
6.	Accountability Officer	Walter Brown	
7.	Brief Description, Purpose and Rationale of Integrity Monitor Project/Program	<p>On July 17, 2020, Governor Murphy signed Executive Order 166 ("EO 166"), which established the COVID-19 Compliance and Oversight Task Force (the "Taskforce") and the Governor's Disaster Recovery Office (GDRO). Pursuant to EO 166, the Taskforce has issued guidelines ("IOM Guidelines") regarding the appointment and responsibilities of COVID-19 Integrity Oversight Monitors ("Integrity Monitors"). Integrity Monitors are intended to serve as an important part of the State's accountability infrastructure while working with Using Agencies in developing measures to prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds.</p> <p>The purpose of this Integrity Monitoring Program is to support the Department of Community Affairs monitoring and oversight of Coronavirus Relief Funds (CRF) in compliance with program, financial, and administrative requirements set forth in the federal-state grant agreement, the State-Recovery Program Participant sub-grant agreement, and applicable federal and state laws, regulations, and guidelines.</p> <p>The NJDCA has been involved in the COVID-19 response and immediate recovery since the beginning of the pandemic. To this, DCA has utilized CRF to fund necessary programs aimed at individuals and local government directly related to funding initiatives in response to the pandemic in New Jersey. Below are the major programs which utilized CRF funding:</p> <p>1) Coronavirus Emergency Rental Assistance Program (CVERAP): was allocated \$80 M to provide temporary rental assistance to low and moderate income household that have had a substantial reduction in income or became unemployed due to COVID-19 pandemic and that were current on their rent through March 2020.</p> <p>2) Local Government Emergency Fund (LGEF): was allocated \$60 M to provide funding to local governments, induced by severe fiscal stress, to reimburse unbudgeted costs to respond to the pandemic.</p> <p>The need to perform integrity monitoring for these programs is great given the relative risk of fraud, waste, and abuse due to the following:</p> <ul style="list-style-type: none"> -Funding provided to individuals pose a naturally higher risk; -The short period of time with which these funds were to be originally expended; and -The high risk of duplication with other available funding sources. 	
8.	Contract/Program Location (if applicable)	N/A	
9.	Amount Expended by Recovery Program Participant to Date	<p>The LGEF Program has expended the following to date: \$66.1 million.</p> <p>The CVERAP Program has expended the following to date: \$88.5 million.</p>	
10.	Amount Provided to other State or Local Entities	The LGEF Program has expended the following to date: \$66.1 million	
11.	Completion Status of Contract or Program	Grant is complete	
12.	Expected Contract End Date/Time Period	03/31/2021	
B. Monitoring Activities			
13.	FFEMA funded, brief description of the status of the project worksheet and its support.	N/A	
No. Recipient Data Elements Response Comments			
14.	Quarterly Activities/Project Description (include with specificity activities conducted, such as meetings, document review, staff training, etc.)	<p>Integrity Monitors successfully received documentation for the LGEF Program, and has received procedural and award data from the CVERAP on 3/30/2021. Integrity Monitors have successfully received sample documentation and performed testing on the sample for the LGEF. As a result of testing, Integrity Monitors issued a preliminary and a final report with Management Responses only for the LGEF.</p> <p>IM 1Q2021 quarterly activities were primarily limited to performing tasks for LGEF since providing the CVERAP documentations was put on hold due to documentation delays, and a lack of a confidentiality agreement between DCA and the Integrity Monitor. As of 3/26/2021, Integrity Monitor did receive high level procedural documents. IM performed the following:</p> <ul style="list-style-type: none"> -Followed up with Accountability Officer on agency-wide documents, such as Organization Chart, Oversight Plan, various policies and procedures, prior DCA audits, financial/performance reports; -Followed up with Accountability Officer and Program Manager on program-specific documents (templates, expenditures) until received; -Selected the sample of LGEF grants for monitoring; coordinated with NJDCA in finalizing the sample; -Requested grant application, grant agreement, reimbursement package with all related support, DCA reviews of applications and final reimbursement; evidence of DCA review of other funding sources and municipalities budgets for duplication of benefits, payment vouchers for each selected county or municipality in the sample; -Developed testing procedures; -Held a training session with the entire IM team to go over the supporting documents and attributes to be tested; -Performed attribute testing and documented the results; -Remained cognizant of any potential areas of fraud, waste and abuse for communication to NJDCA; -Evaluated DCA risk assessment; -Drafted Monitoring Report, discussed preliminary finding with Accountability Officer and provided to DCA for responses; -Evaluated received responses and reviewed additional documents provided; and -Finalized Monitoring Report and held exit conference for LGEF. <p>Integrity Monitors are working to identify a sample for CVERAP and start monitoring in the next quarter.</p>	

15.	Brief description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.	<p>Integrity Monitors received procedural and award data from CYERAP on 3/30/2021 and will start monitoring in the next quarter. However, the Integrity Monitors have received timely documentation responses for the LGEF. Integrity Monitors reviewed all expenditures to date for the program and chose a sample of 40 grants out of 201 grants administered through the LGEF. While selecting the sample, the following considerations were made:</p> <ul style="list-style-type: none"> • Choosing allocations to adequately represent both county and municipal-level subgrantees; • Ensuring allocations were evenly spread across the lower half and upper half of transactions in terms of monetary value; and • Ensuring that at least 40% of the total monetary value gets sampled (total equals \$35,297,064.97). <p>The population allocation, approved amount, and paid amount was provided to us by the DCA. The sampling methodology was in accordance to Audit Sampling Considerations of Circular A-133 Compliance Audits, as published by the AICPA. The mean monetary value of "Application Preliminary Approval" is \$234,622.59. 20 samples were randomly chosen that had amounts that were greater than the mean and 20 samples were randomly chosen that had amounts that were less than the mean. The 40 samples equate to \$17,193,434.66 in costs being sampled or 49% of total costs. The sample includes 4 counties and 36 municipalities. For each sample the following documentation was requested and subsequently provided:</p> <ul style="list-style-type: none"> • Grant Application • Grant Agreement • Reimbursement Package • Payment Vouchers <p>The following attributes were tested for each sample grant:</p> <ul style="list-style-type: none"> • Application of Local Units/Municipality received by DCA by 11/10/20 • Application was correctly filled out by Local Units/Municipality • Evidence of DCA review and approval of request • Grant Agreement is signed on pg. 2 and Exhibit A by both LCU and DCA • Grant Agreement matches approved amount • Local unit/Municipality submitted reimbursement by 12/10/20 • Reimbursement Workbook was utilized • Required officer certification on request for reimbursement • Cover sheet included on request for reimbursement • Grant budget modifications identified (if applicable) on request for reimbursement • Costs are Eligible under CRF • Costs are Eligible under DCA Guidance • Support documentation for reimbursement claim (i.e. POs, cancelled checks and/or payroll records) • Expenses were incurred between 3.1.20 -12.30.20 (covered period) • Expenditures were unbudgeted and not included on county/municipal budgets approved most recently as of 3.27.20 • State of NJ payment voucher was certified and executed • Delivery of goods/services completed by 2.26.21 • Reimbursement request was approved by the DLGS or Grantee Fiscal Affairs Director or respective designee? • Division engaged in duplication of benefit analysis prior to disbursement (as per Program Descriptions and Guidelines) 	
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	N/A	
17.	Has payment documentation in connection with the contract/program been reviewed? Please describe	For CYERAP or agency-wide internal controls, Integrity Monitors have not been able to perform any monitoring activities since requested documentation was finally received on 3/30/2021. However, Integrity Monitors were able to review payment documentation for the LGEF. In addition to the review described above, Integrity Monitors requested payment vouchers to confirm payment of approved grant funding to local governments. Due to remote working caused by the public health emergency, DCA decided to not full out or generate payment vouchers. Instead the program submitted to DCA finance a spreadsheet of payments to be made. Fiscal would then respond to the program with an excel sheet confirming payment with a listing of voucher IDs.	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	For CYERAP, since Integrity Monitors received procedural documents and award data for CYERAP on 3/30/2021, no monitoring activities have been performed this quarter. However, additional documentation requests have been issued in the next quarter regarding the identified sample, with an expectation date set by DCA for which Integrity Monitors expect to receive the documentation. For LGEF, Integrity Monitors discussed and assessed NJDCA processes related to grantee oversight and reimbursements approval. IM also tested a sample of counties and municipalities to ensure the compliance with the Program requirements and eligibility of costs requested for reimbursements.	
19.	Provide details of any integrity issues/findings	<p>1) Up to \$60 million in CRF funds was made available through the LGEF for LCUs to elevate severe fiscal stress of counties and municipalities to maintain essential services and take the steps necessary to fight COVID-19. Local Government Emergency Fund grant funds may only be used to cover expenditures incurred as part of the local unit's response to COVID-19. In accordance with the U.S. Treasury Guidance for the Coronavirus Relief Funds, eligible expenditures must be unbudgeted and must have been incurred due to the pandemic within covered period 3/1/2020 through 12/30/2020. Additionally, per LGEF- Program Filing Requirements, all reimbursement packages should include "comprehensive supporting documentation".</p> <ul style="list-style-type: none"> • IM determined questionable costs of about \$8.5 Million primarily for reimbursement of payroll costs. Identified questionable costs fall into the following categories: <ul style="list-style-type: none"> - Potentially prior "budgeted" expenses. Only previously unbudgeted costs are eligible for reimbursement. - Costs are not directly incurred because of pandemic - Costs incurred outside of covered period of 3/1/2020 - 12/30/2020 - Expenditures missing required support documentation, i.e. not executed or missing purchase orders, invoices, cancelled checks, payroll records - Unreconciled to supporting documents costs 	
		<p>2) Only supported, reviewed and approved by DCA expenditures should be reimbursed.</p> <ul style="list-style-type: none"> • IM identified four (4) instances out of sample of 40 LCUs where payment amount exceeds the approved or properly supported amount. Total overpayment is for \$168,235.55. Of the 4 identified discrepancies, 2 payments are in excess of the approved reimbursed request, while the remaining 2 payments do not seem supported by documentation. • All identified funds have been recuperated by DCA. 	
		<p>3) In accordance with the Memorandum of Understanding executed between NJ Treasury and the DCA, "The Department is responsible for ensuring the Grant Funds do not constitute a "Duplication of Benefits" as defined by the Robert T. Stafford Act. The Department shall establish appropriate policies and procedures to prevent Duplication of Benefits and shall cooperate with other State departments and agencies to prevent and rectify Duplication of Benefits."</p> <ul style="list-style-type: none"> • The DCA has not created any policy or procedures concerning the prevention and detection of duplication of benefits for these program funds. In the LGEF- Program Description and Guidance pg. 8, the DCA states, "The Division will engage in a duplication of benefits analysis prior to any disbursement, which will include post-disbursement review of the county's or municipality's budget annual financial statement and audit review." There is no explanation of what will encompass the pre-disbursement review, which should include a review of local budgets to determine if costs are budgeted or unbudgeted. There is no other guidance on how a duplication of benefits analysis will be performed. • There is no evidence of DCA engaging in a duplication of benefits review prior to making payments. Throughout the application and reimbursement process, there are several instances where the applicant self-certifies, and provides assurance regarding duplicative funding streams. Applicants must complete a Duplication of Benefit Analysis (Form LGEF 3) on the application that requires them to provide information on other grants applied and received. Municipality Officers also are required to certify the reimbursement package that the costs requested under LGEF are not duplicated under another funding source. It appeared DCA reviewed the certifications in applications and reimbursement packages but did not verify alternative grant funding, such as FEMA Public Assistance. Even though, the DCA provides information to the Office of Emergency Management, there is no evidence of DCA receiving information from the Office of Emergency to perform an analysis. 	
		<p>4) Per the LGEF-Program Guidelines, local governments had to submit LGEF applications to the DCA no later than November 10, 2020, grant agreement needs to be executed by DCA and a municipality, all reimbursement requests had to be submitted to the DCA by December 10, 2020. The following noted:</p> <ul style="list-style-type: none"> • Grant Agreements for all 40 grants reviewed were missing an executing signature for the DCA. In 39 instances, applicants did execute the agreement. The Grant Agreement for the Township of Deptford was not executed by either the DCA or the applicant. • The Grant Reimbursement Packages were not received before the 12/10 deadline for 8 LCUs: Atlantic City, Princeton, Willingboro, Morristown, Pequannock, Cinnaminson, Deptford, Mine Hill • The Grant Application for Mine Hill was not received before the 11/10 deadline. 	
20.	Provide details on any other items of note that have occurred in the past quarter	N/A	
21.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	N/A	

No.	Recipient Data Elements	Response	Comments
C. Miscellaneous			
22.	Attach a list of hours (by employee) and expenses incurred to perform your quarterly integrity monitoring review.	See Attached.	
23.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	<p>Recommendations:</p> <ul style="list-style-type: none">- DCA should fully execute the grant agreements and make notes in each applicant file regarding exemptions made to tardiness in submissions.- DCA should consider utilization of grant management system and digital signatures solutions to improve timelines and documentation process for acceptance, execution and approval of applications and reimbursements.- DCA should implement training for applicants regarding cost eligibility to avoid ineligible expenses being applied for and reimbursed.- DCA should implement more internal controls and dual approval of reimbursements.- It's recommended that DCA reviews other sources for duplication of benefits before disbursement of funds as well as create a policy on Duplication of Benefits prevention for the LGFIF to include collaboration with other state agencies acting as pass through entities to similar types of funding. We recommend that the procedure includes a checklist to document any such reviews and that the checklist be included in applicant files.	
Name of Integrity Monitor: CohnReznick, LLP		Name of Report Preparer: Frank Banda	
Signature: 			

Row Labels	Sum of Hours	Sum of BillableAmount
Campan, Amanda	49.3	\$ 13,150.78
Cowan, Sarah	55	\$ 8,167.50
Fomina, Anna	109.9	\$ 26,925.50
Franklin, Kaylyn	40	\$ 5,940.00
Guevara, Elsie	48.5	\$ 7,202.25
McCracken, Emily	38.2	\$ 5,672.70
Newcomb, Carolyn	3.3	\$ 880.27
Roberts, Valerie	0.5	\$ 74.25
Saunders, Brandi	88	\$ 13,068.00
Thomas Irvin, Melanie	1	\$ 245.00
Grand Total	433.7	\$ 81,326.25



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Governor

LT. GOVERNOR SHEILA Y. OLIVER
Commissioner

April 21, 2021

To: Amanda Campen, Senior Manager, CohnReznick LLP
Walter Brown, Director, Fiscal Administration, DCA

From: Kevin W. Heydel, Deputy Director, Division of Local Government Services

CC: Jacquelyn Suarez, Director, Division of Local Government Services

Re: FY 2020 LGEF (CRF) Grant Program – Integrity Monitor Audit Report Supplemental Response

On February 26, 2021, the Integrity Monitor (Cohn Reznick) forwarded a preliminary audit report on the FY 2020 LGEF (CRF) Grant Program to Michael Delplato, Acting Director of the Office of Auditing. On March 3, 2021, Mr. Delplato forwarded the preliminary audit report and Attachments A and B reflecting \$168,235.55 and \$8,555,906.53 in alleged insufficient documentation, respectively, with a management response due by March 5, 2021. On March 5, 2021, I provided a management response to findings 1 through 4, which included addressing Attachment A. From March 5, 2021 through March 12, 2021, I continued to provide Cohn Reznick with further supporting documentation to mitigate certain items reflected in their preliminary audit report; however, due to time restraints I was unable to address the issue raised in Attachment B reflecting \$8,555,906.53 in their identified unsupported payments. On March 15, 2021, Cohn Reznick issued their final audit report.

From March 15, 2021 to present, I, along with the DLGS staff, continue to review the LGEF Grant Program, working with local government entities (LGEs) to retrieve documentation for unsupported costs identified by Cohn Reznick and DLGS staff to reconcile payments issued to LGEs. The Cohn Reznick report reflecting \$8,555,906.53 in unsupported costs contained generic comments and did not reference specific occurrences within our Program. The comments focused on the lack of performing a Duplication of Benefits (DOB) analysis. A DOB analysis would require the grant recipient to submit detailed submissions of all reimbursements received through other reimbursement programs and require Division staff to perform an item by item review of each reimbursement from other sources to those requested through LGEF. Given the tight deadline imposed by the federal government to distribute the funds, the Division required LGEs to self-certify that they are not duplicating items in their reimbursement submissions. The DOB analysis could then be reviewed on the backend with the Division working with the Office of Emergency Management to access all state disbursements of funding.

Regarding the numerous payroll items listed in the report, Cohn Reznick specifically referenced the lack of DOB review and backup payroll reports and/or pay stubs. For payroll items, the Division followed the Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping (OIG-CA-20-028R) Item 73 and 80. The Cohn Reznick payroll 'requirement' would contradict the administrative accommodation made in accordance with Treasury's FAQs. Number 73 states that, "for administrative convenience, a State can presume that all payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency and, thus, can be covered by CRF." The Division adhered to this, in tandem with Item 80, which states:

The recipient of CRF payments must maintain and make available to Treasury OIG upon request, all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Documents/records include payroll records for the covered period March 1, 2020 through December 31, 2021. Records include but are not limited to (1) general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements; and (2) payroll, time, and human resource records to support costs incurred for payroll expenses. Please refer to the Treasury OIG memorandum, Coronavirus Relief Fund Reporting and Record Retention Requirements (OIG-20-021; July 2, 2020). These document requirements apply to supporting payroll reimbursement amounts using CRF proceeds and not to support the presumption that public health and safety payroll is substantially dedicated to mitigating the emergency.

It is the Division's position that it has met this standard with payroll reports and paystubs reflecting that the employees were, in fact, employees and that they received payment for work performed during the prescribed period.

During our review of the preliminary audit report, we noted that the Cohn Reznick Attachment B report did not provide any specific comment or detail about the LGEF Grant Program. Instead, it appears to provide a generic response, capturing findings where supporting documentation is, in fact, present. Additionally, for other related reimbursement for which the report claimed to identify a lack of required backup documentation, Cohn Reznick has not specifically identified the individual items of concern. Instead, it is left to the Division staff to perform a complete review the LGEs' reimbursement submissions in the hopes of uncovering the alleged insufficient documentation.

In summary, the Division will continue to perform a review of the audit in an effort to fully resolve any potential supporting documentation inconsistencies.

If you have any further questions or concerns, please contact me.

Respectfully,



Kevin W. Heydel, Deputy Director
Division of Local Government Services